

# BPA Policy 211-3

## IT Budget Flexibility

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## 1. Purpose & Background

This policy gives guidance for budget flexibility between capital and expense accounting for Information Technology projects in certain circumstances.

Bonneville's IT organizations are subject to recent rules and guidance which impact how projects are budgeted, because the need for capital or expense dollars cannot be determined until projects reach their final stages. For example, The Office of Management and Budget's (OMB) "Cloud First" directive instructs agencies to reduce the number of datacenters and promote cloud based solutions whenever a secure, reliable, and cost-effective cloud option exists. Based on this direction, Bonneville is moving towards adopting X as a Service (XaaS) when doing so is consistent with sound business principles. The potential decision to adopt cloud based services instead of on-site solutions as part of an IT project is based on business needs, reliability, and total cost of ownership calculations. This means that currently, whether capital (on-site software and hardware) or expense (XaaS) dollars are needed cannot be determined until the alternatives have been assessed, after a project has been approved to proceed. Given the uncertainty in the type of funding that will be needed to complete a project, capital funding is programmed based on traditional on premise solutions.

Bonneville does not have a mechanism in place to provide expense funds to deliver a cloud based solution when capital funds have been programmed to meet a traditional on premise solution. Allowing more budget flexibility by allowing the budget for software costs to be fungible between capital and expense would provide for this uncertainty. It should be noted that this solution will not, however, alleviate the uncertainty resulting from shifts in funding from capital to expense in a given year, which can create an immediate and unexpected impact on Power and Transmission net revenues and financial results.

## 2. Policy Owner

Bonneville's Chief Financial Officer (CFO) is the owner of this policy.

## 3. Applicability

This policy applies to the Information Technology (J) organization and the Transmission Technology Services (TT) organization and is applicable only to the budget treatment of computer software costs at Bonneville.

## 4. Terms & Definitions

- A. **Computer Software:** Software developed and used to support Bonneville's internal business functions. Software can be acquired, internally developed, or modified to run on general purpose hardware. Software types include: application and operating system

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programs, databases or data warehouses, procedures, rules, and associated documentation pertaining to the operation of a computer system.

- B. **OMB Cloud First Directive:** In 2010, the Office of Management and Budget (OMB) issued a directive that requires Federal agencies to shift to a “Cloud First” policy by implementing cloud based solutions whenever a secure, reliable, and cost-effective cloud option exists.
- C. **X as a Service (XaaS):** This is a delivery model in which software and associated data are centrally hosted on the cloud. XaaS is typically accessed by users in a thin client via a web browser. XaaS includes: Software-SaaS/Platform-PaaS/Infrastructure-IaaS/Desktop-DaaS.

## 5. Policy

Budgets for computer software are fungible between capital and expense in certain circumstances. This is necessary due to the unique nature of determining expense or capital treatment when the budgets for computer software costs are initially set.

The items below were considered when determining IT budget flexibility for computer software costs:

1. **Impact to Rates/Reserves:** Computer software costs are a minor part of Bonneville’s total capital budget. In addition, IT assets are depreciated over a short time frame, typically five years. Given the small dollar amount and short depreciation period, expensing costs that were originally budgeted as capital results in negligible rate impact and minor impact on reserves.
2. **Federal Budget:** This policy has no negative impact to the Federal budget.
3. **Capitalization Policy:** The capitalization threshold is set by Accounting Policy and the IT Budget Flexibility Policy does not impact or change the Capitalization Policy.
4. **IT Capital Approval Process:** The IT Budget Flexibility Policy does not impact or override the IT Capital Approval Process.

## 6. Policy Exceptions

Bonneville’s Chief Financial Officer has the discretion to deny the provisions of this policy if Bonneville is experiencing financial hardship.

## 7. Responsibilities

- A. **Manager of Budget Planning and Forecasting (Budget Officer):** Establishes policy, operational procedures and practices for Federal and internal budgeting, forecasting, and analysis.

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- B. **The Chief Information Officer (CIO):** Provides strategic planning and leadership over Bonneville’s IT budget and is responsible for following procedures and practices in accordance with this policy.
- C. **IT Staff, Managers, and Subject Matter Experts:** Follow procedures and practices in accordance with this policy.

**8. Standards & Procedures**

To facilitate annual Federal and internal budgeting and Federal apportionment requirements, any movement of funds between capital and expense must be communicated via email by the IT Vice President to the Budget Officer each quarter during the fiscal year.

The movement of budgeted funds between capital and expense under the requirements of this policy must be approved of by the Manager of Budget Planning and Forecasting (Budget Officer) and reported at Bonneville Finance Committee (FC) meetings as an “inform” item.

Procedures on implementing this policy can be found in the Bonneville Budget Handbook.

**9. Performance & Monitoring**

Oversight of the proper development and implementation of the policy is the responsibility of the Chief Financial Officer, working with the Budget Officer.

**10. Authorities & References**

- A. Bonneville Budget Handbook
- B. Bonneville Policy 212-1, Property, Plant and Equipment Capitalization
- C. Bonneville Policy 212-7, Software Capitalization and Expense
- D. OMB 2010 Cloud First Directive
- E. Data Center Optimization Initiative
- F. DOE Order 200.1A
- G. OMB Memo M-16-19

**11. Review**

Review of this policy is conducted every five years.

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## 12. Revision History

<b>Version Number</b>	<b>Issue Date</b>	<b>Brief Description of Change or Review</b>
1.0	7/7/2017	New Policy

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